

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-500

August 31, 2004

AQUA MAINE, INC.
Application for Approval of Issue
Of Securities (§902 §1101)
(\$600,000 Series N and \$250,000 Series O)

ORDER

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

On July 23, 2004 Aqua Maine, Inc. (Aqua) filed with the Commission its application for authority to issue its Series N bonds in sums not to exceed \$600,000 and its Series O bonds in sums not to exceed \$250,000 through the Maine Municipal Bond Bank under the State Revolving Loan Fund Program, at annual rates not to exceed 5% percent. Series N bond will be paid over a term not to exceed 20 years while the Series O bond will be paid over a term not to exceed 30 years. In addition, Aqua requested authority to issue mortgage notes to support the bonds.

Aqua requires \$581,400 for its Camden and Rockland Division to fund distribution main replacement and arsenic removal projects and \$199,900 for its Hartland Division to fund distribution main replacement. The remainder includes a contingency amount for potential project overruns and approximately \$35,000 for the cost of the debt issuance.

35-A MRSA §6102, Filing with the commission plans for construction or improvements of water systems, requires:

Any water utility, before commencing construction of a new water system or a major addition to or alteration of an existing water system, shall file with the commission, in accordance with the commission's rules, plans and specifications for the construction, additions or alteration in order to obtain the advice of the commission as to cost, method of financing and adherence to proper engineering standards.

Chapter 63, of the Commission's rules defines major construction projects as any new water system or any addition or alteration of an existing water system that is estimated to cost in excess of 5% of the utility's fixed capital investment or \$1,000,000; whichever is smaller. The cost of the Hartland project exceeds 5% of its fixed capital investment. Therefore, the Hartland division must file its plans and specification for construction with the Commission.

Pursuant to an Amended Delegation Order dated January 9, 1996 in Docket No. 93-169, the Commission delegated to the Director of Finance its authority under

35-A M.R.S.A., Chapter 9 and 11, to approve water utility financing applications, including those that involve mortgaging utility property, for Maine Municipal Bond Bank, Rural Economic & Community Development Administration and their successors. This delegation in no way limits the Commission's authority to review the decision of the Director of Finance pursuant thereto or to directly consider requests for variations. The Director of Finance's approval shall be in the form of an Order, copies of which shall be maintained in the files of the office of the Administrative Director.

Having reviewed the application of the District, together with data filed in support of it, it is the opinion of the Commission that the proceeds of the issuance of the bond are required in good faith for the purposes enumerated in 35-A M.R.S.A. § 901. As is required under 35-A M.R.S.A. §1101, Aqua is also authorized to mortgage utility property as necessary to complete the transaction. In approving this securities issue, consistent with normal practice and pursuant to §902 (4), the Commission does not imply approval of Aqua's capital needs or capitalization ratio for ratemaking purposes, nor does this Order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, pursuant to the Amended Delegation Order dated January 9, 1996, in Docket No. 93-169, I

O R D E R

1. That Aqua Maine, Inc. is hereby authorized to issue its Series N bonds in sums not to exceed \$600,000 and its Series O bonds in sums not to exceed \$250,000 through the Maine Municipal Bond Bank under the State Revolving Loan Fund Program, at annual rates not to exceed 5% percent. Series N bond will be paid over a term not to exceed 20 years while the Series O bond will be paid over a term not to exceed 30 years.
2. That Aqua Maine, Inc. is hereby authorized to issue mortgage notes in a sum not to exceed \$850,000 to be used solely to complete the financing described in this Order, at the rates and terms previously described.
3. That Aqua Maine, Inc. file construction plans and specifications with the Commission in accordance with Chapter 63 of its rules for the Hartland Division project as the project's estimated cost exceeds 5% of Hartland's fixed capital investment.
4. That the District report to the Commission, in writing, its doings pursuant to this Order within sixty (60) days of the date of the issue of the proposed bond, or January 3, 2005, whichever may come first.

5. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 31st day of August, 2004.

BY ORDER OF THE DIRECTOR OF FINANCE

Richard Kania

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.